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Robert L. Greco, III
Director
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February 13, 2004

Mr. Mark D. Friedrichs
PI-40
Office of Policy and International Affairs
U.S. Department of Energy
Room 1E190
1000 Independence Ave., SW
Washington, DC 20585

Dear Mr. Friedrichs:

The American Petroleum Institute (API) appreciates the opportunity to offer input to the Department of Energy (US DOE) on the proposed changes to the General Guidelines for Voluntary Greenhouse Gas Reporting. API represents more than 400 companies involved in all aspects of the oil and natural gas industry, which are keenly interested in the successful implementation of this voluntary program. API previously provided feedback to the US DOE during the initial consultations and workshops that led to the development of the proposed General Guidelines, and we will continue to be an active participant throughout the process.

API is relying on its extensive experience in the preparation of these comments. This experience includes:

- Publication of the *Petroleum Industry Guidelines for Reporting Greenhouse Gas (GHG) Emissions* (December 2003). The oil and natural gas industry is one of the first major industries to have developed consistent, comprehensive, and credible guidelines for reporting facility emissions on a global basis.
- Development of the *API Compendium of Greenhouse Gas Emissions Estimation Methodologies for the Oil & Gas Industry* ('Road-Test' version: April 2001; Revised: February 2004). The *API Compendium* is the technical foundation for the international *Guidelines* mentioned above.
- Participation in the Expert 'Cadre' of the US Technical Advisory Group (TAG) to the International Standards Organization (ISO).

While API supports the overall objectives and approach of the General Guidelines for Voluntary GHG Reporting, we question the designation of the development process as "rulemaking" and DOE's proposal to include these General Guidelines as a new part of the Code of Federal Regulations.

Regarding the proposed General Guidelines, API recognizes the need for a balanced approach that retains the flexibility of the current program while enhancing the rigor of scope and boundary definition to attain a robust and credible registry. In addition, API recognizes that some of the details of the General Guidelines will be clarified later in the context of the forthcoming

Technical Guidelines. Therefore, API retains the option to comment further on these issues once the revised General Guidelines are issued in conjunction with the Technical Guidelines.

API has prepared detailed comments on the proposed General Guidelines (see attached). In particular, we have identified nine issues that are of great importance to the oil and natural gas industry and which may affect the benefits to the industry from participating in this voluntary program, and these are summarized below.

1. **The determination of entity boundaries should maintain flexibility and consistency with other guidance** – In view of the complexity and diversity of organizational structures within the oil & natural gas industry, the industry has developed guidance for its members on how to set up their entity boundaries. API is recommending that the US DOE specifically recognize and cite these sector-specific industry guidelines in its final guidance and thus help retain a consistent approach between US and worldwide industry operations.
2. **The definition of Significance Threshold should be amended** –The threshold of 3% or 10,000 metric tons of CO₂-equivalent is arbitrary and it is not clear what it will mean in practice for member facilities and entities. Furthermore, no numerical value should be proposed unless the US DOE has precise data to support the selected threshold. It will be important to analyze this point carefully as the Technical Guidelines are developed in order to be able to evaluate how these thresholds might be operationalized, particularly for large complex entities.
3. **The inclusion of terrestrial sinks for carbon stock should not be required for non-agricultural or non-forestry operations** - The US DOE proposal requires entities to keep track of changes in terrestrial carbon stock. This requirement could be resource intensive for reporting entities, such as oil & gas producers or pipeline operators that either own or lease large amounts of land but are not engaged in agriculture or forestry. Since it is expected that under normal industry operations these changes in carbon stock might translate to emission increments that are less than the significance threshold, accounting for terrestrial sinks for carbon stock would be unnecessarily burdensome for the petroleum industry.
4. **The proposed guidelines should contain specific provisions for recognizing emission reductions associated with anticipated industry actions** - DOE needs to expand its definition of *Avoided Emissions* and explicitly recognize that, by exporting power to the grid, cogeneration of combined heat and power (CHP) projects contribute to such avoided emissions by minimizing or eliminating the need for more base load power generation.
5. **The proposal should explicitly address emission reductions associated with carbon capture and geologic storage (or sequestration)** - The proposed Guidelines do not adequately address geologic carbon sequestration. The current definition of sequestration is not suited for describing geologic sequestration since it seems to limit sequestration to those activities that remove carbon dioxide that is already part of the atmosphere.
6. **The proposal should allow a variety of physical measures for GHG Intensity definition** – The proposed Guidelines envision a single physical output parameter that would be used entity-wide to report GHG emissions intensity and track reductions. Such an approach might not be feasible for large and complex organizations that comprise

various types of operations. API recommends that industry sectors be consulted on the development of appropriate intensity measures and that the DOE recognize the need for flexibility to address specific characteristics of the various industry sectors.

7. **The proposal unnecessarily complicates entity reporting and registering by attempting to exclude output-related or product change-related reductions**—Parts of Section 300.8 that restrict the reporting of emissions reductions associated “in whole or in part” with reductions in output, plant closings, or “changes in product” unnecessarily complicate participation in the 1605(b) program. The Guidelines should allow complete reporting and registering of emissions and emission reductions, regardless of cause, and not create an unrealistically complicated and costly reporting system that reduces participation of entities reducing their emissions.
8. **The certification and verification requirements should be simplified and allow more flexibility** – The current proposal that the chief executive officer (CEO) of a company, organization, or institution be required to certify the greenhouse gas emission reports is not feasible. It would be more practical, and more reliable, to have a responsible official who is knowledgeable and fully cognizant of the organization’s greenhouse gas mitigation program certify the submitted reports.
9. **The proposal should clarify DOE’s intent on guidance vs. “rulemaking”** –API is concerned that, even though DOE maintains that the new “guidelines” are in fact merely guidance, and that 1605(b) will remain a “voluntary” program, publication in the Code of Federal Regulations likely will cause future concern and confusion among potential participants.

In conclusion, API is supportive of the overall objectives of the General Guidelines for Voluntary GHG Reporting, although it has concerns about the resolution of several key issues outlined above. In order to help retain a consistent approach between US and worldwide industry operations, API believes that the guidance and techniques outlined in the *Petroleum Industry Guidelines* and in the *API Compendium* and similar efforts by other industries should be incorporated, at least by reference, into the General Guidelines.

Please call Rayola Dougher (202-682-8540) or me if you have any questions or if we can be of further assistance.

Sincerely,

A handwritten signature in black ink, reading "Robert L. Greco III" with a stylized flourish at the end.

Robert L. Greco III
Director, Global Climate Programs

Attachment